

VZCZCXRO9359
PP RUEHBC RUEHDE RUEHKUK RUEHROV
DE RUEHRB #0252/01 0791416
ZNR UUUUU ZZH
P 191416Z MAR 08 ZDK
FM AMEMBASSY RABAT
TO RUEHC/SECSTATE WASHDC PRIORITY 8285
INFO RUEHCL/AMCONSUL CASABLANCA 3969
RUEATRS/DEPT OF TREASURY WASHDC
RUCPDO/DEPT OF COMMERCE WASHDC
RUEHRC/USDA FAS WASHDC 1060
RUEHEE/ARAB LEAGUE COLLECTIVE
RUEHLO/AMEMBASSY LONDON 3550
RUEHFR/AMEMBASSY PARIS 4959
RUEHNC/AMEMBASSY NOUAKCHOTT 3690

UNCLAS SECTION 01 OF 03 RABAT 000252

SIPDIS

SIPDIS
SENSITIVE

DEPT FOR NEA/MAG, EB/IFD/OIA and EB/TPP/BTA
STATE PLEASE PASS TO USTR SHAUN DONNELLY, PAUL BURKHEAD, CAROYL
MILLER AND MARY LATIMER
USDOC FOR ITA/MAC/ONE MASON
TREASURY FOR OASIA
USDA FOR FAS CHUCK BERTSCH AND BOB MACKE

E.O. 12958: N/A
TAGS: [EINV](#) [ETRD](#) [EFIN](#) [EAGR](#) [PGOV](#) [MO](#)
SUBJECT: U.S.-MOROCCO FTA: IMRESSIVE START, OBTIMISTIC FUTURE

RABAT 00000252 001.2 OF 003

11. (U) The Joint Committee of the U.S.-Morocco Free Trade Agreement (FTA) met in Rabat on March 13, 2008 for the first time since the agreement's implementation on January 1, 2006. Assistant U.S. Trade Representative for Europe and the Middle East, Shaun Donnelly, headed the U.S. delegation, while Moroccan Minister of Foreign Trade, Abdellatif Maazouz, led the Moroccan side. Both sides accentuated the overall success of the agreement during its first two years, and called for a reinvigoration of the subcommittee process in order to resolve issues. Key issues raised by the U.S. were Moroccan interpretation of permissible transshipment and Moroccan administration of wheat quotas. Morocco's principal issues were a desire to expedite U.S. phytosanitary approval of key Moroccan agricultural products and improved customs cooperation. The day following the plenary session, the U.S. delegation met with representatives of the private sector, where they heard an assessment very similar to that of the government.

Impressive First Two Years

12. (U) While noting discrepancy in bilateral trade statistics, which an ongoing "Trade Merchandise Reconciliation" study is seeking to explain, the two sides concurred that the agreement has had a positive effect on trade, with bilateral commerce increasing 101 percent. U.S. exports to Morocco increased 155 percent from USD 527.5 million in 2005, to USD 1343 million in 2007. In spite of an over 30 percent depreciation of the dollar in relation to the dirham, Moroccan exports to the U.S. increased 38 percent, from USD 442.5 million in 2005, to USD 609.9 million in 2007.

13. (SBU) In private meetings with Moroccan Foreign Trade Minister Maazouz and Minister of Commerce and Industry Ahmed Rena Chami, Ambassador Donnelly highlighted the FTA's influence in attracting foreign investment. Acknowledging that objective measurement was impossible to quantify, Donnelly suggested that the U.S.-Morocco FTA certainly contributed to the record level of foreign investment Morocco has experienced in the past five years by demonstrating Morocco's commitment to business reform, IPR protection, and trade liberalization. Chami said the GOM was proud to have an FTA with

the U.S. and that it regularly used the FTA as a sales tool with prospective investors. He added that Morocco needed two additional things to make the FTA work better. First, Moroccan businesses needed to "crack the code" of American consumers' desires and do a better job of selling themselves to the American market. Second, Morocco needs to convince other major economic powers, such as China, Spain and Italy, to take advantage of the FTA by investing in Morocco.

U.S. Issues - Transshipment and Wheat Quotas

¶4. (SBU) Following this overview, the two sides moved on to clarify and articulate national positions on implementation issues that have emerged over the last two years. Chief among the U.S. issues was Morocco's strict interpretation of permissible transshipment under the FTA's rules of origin. Moroccan customs officials insist that shipments can only transit a third country if they depart the U.S. following an order (as reflected in an invoice or bill of lading) from a Moroccan customer. Stressing that the whole purpose of the FTA was to liberalize, not restrict trade, Donnelly emphasized that this restrictive interpretation effectively prevents U.S. companies from pre-staging U.S. goods in Europe prior to receiving an order from a Moroccan customer, and thereby fails to reflect the realities of modern international commerce. Donnelly asked the Moroccan delegation to ponder the ramifications of a similar U.S. application and its effect on Moroccan goods that are first exported to Europe before distribution to U.S. retailers. While Customs officials defended Morocco's position, Minister Maazouz agreed that bilateral consultations through the market access subcommittee should be intensified to attempt to find a mutually agreeable solution.

¶5. (SBU) The second major issue raised by the U.S. was Morocco's administration of wheat quotas negotiated into the FTA. Although the FTA created provisions for U.S. wheat producers to benefit from new tariff-rate quotas (TRQs) on durum and common wheat, they went

RABAT 00000252 002 OF 003

unfulfilled in 2006. In 2007, as a result of the country's extremely poor harvest (down 81 percent from 2006), the government eliminated tariffs on all imported wheat through May 31, 2008, effectively rendering the quotas meaningless. Officials at the Moroccan Ministry of Agriculture suggested that failure to fill the quota in 2006 resulted from incompatibility between the calendar year TRQ and the local marketing year. They asked that the U.S. define a "quota year" that corresponds to the Moroccan marketing year (June-May). Donnelly repeated the U.S. position on the wheat quota and drew the committee's attention to a new U.S. concept paper that was presented to Moroccan officials during a DVC the week prior to the Joint Committee. Minister Maazouz pledged to study the U.S. concept and to send a formal response in advance of the April Ag and SPS subcommittee meetings in Washington.

Moroccan Issues - Tomatoes and Customs Cooperation

¶6. (SBU) Foremost among Moroccan issues was frustration with delays in securing phytosanitary certificates that would permit shipment of agricultural products (namely tomatoes) from the Agadir region. In addition, Morocco reiterated its longstanding request for tariff acceleration on canned artichokes, and added "processed olives" to the list, justifying the requests based on the large trade imbalance for agricultural products. Donnelly acknowledged the importance and sensitivity of the agriculture issue for Morocco and pledged to do all he could to facilitate USDA processing of the requests, but noted that U.S.'s ability to accelerate duty reductions for sensitive products, such as olives, was limited.

¶7. (SBU) While acknowledging Morocco's appreciation of the technical training provided to its counterparts by U.S. Customs, the Moroccan delegation expressed concern about the lack of customs cooperation on operational issues. It noted six instances where Moroccan textile imports had been delayed or denied preferential treatment upon entry to the U.S., yet for which Moroccan Customs had

received neither an explanation nor a request for information, something provided for under the agreement. Donnelly agreed that routine and operational customs cooperation was vital, and said he would take the issue with him to D.C., in hopes of establishing a U.S. customs point of contact.

Moroccan Business Leaders Reinforce Government Views

18. (U) The day after the plenary session, the U.S. delegation met with leaders of Morocco's business community in Casablanca to hear firsthand their thoughts on the agreement's first two years. The meeting, organized by the country's leading business lobby, the Confederation Generale des Entreprises du Maroc (CGEM), grouped representatives from a range of business federations, including textile, artisan, agro-industry, and financial sectors. Those present concurred with the government's assessment that things were moving in the "right direction," and that even if Morocco's exports have not grown as quickly as they would wish, they were "optimistic" for the future. Specific issues also echoed those raised in the formal committee meeting: textile companies expressed concern about the customs problems they have encountered, and appealed for the U.S. to reconsider its refusal to accelerate reduction of the duties that would enable Moroccan companies to source material from the U.S. Agro-industry groups pressed for speedy completion of Agadir's phytosanitary certification, as well as for better dissemination of information on U.S. market standards.

19. (U) Several additional issues were raised, including the need for technical assistance to bring Moroccan artisan production up to U.S. standards and a desire for U.S. investment in the energy field, where Morocco faces a looming capacity shortage. Business representatives echoed government concerns about the 100 percent scanning requirement which will take effect for U.S. imports in 2012, while also expressing hope that a future direct shipping line from the new Tangier Med port to the U.S. East Coast will further boost bilateral trade.

110. (SBU) Comment: The Joint Committee meeting was two years in

RABAT 00000252 003 OF 003

coming, but achieved its purpose of permitting the two parties to sit down and take stock of where we are. Key outcomes were agreement to reinvigorate the tempo of meetings of the subcommittees established under the agreement, to work towards settlement of the nagging implementation issues that have divided the two sides. Nonetheless, there was broad agreement that these concerns pale in comparison with the overall success registered in the last two years. The challenge now is to deepen and extend that opening. End Comment.

RILEY

SENSITIVE BUT UNCLASSIFIED